

- Ways and Means Committee -
PRELIMINARY ESTIMATES OF BUDGET EFFECTS OF THE REVENUE RECONCILIATION PROPOSAL

COMMITTEE ACTION TO DATE

Fiscal Years 1990-1994
[Millions of Dollars]

Item	1990	1991	1992	1993	1994	1990-94
I. PRIOR COMMITTEE ACTION						
A. Repeal Financial Institution (FSLIC & FDIC) Tax Benefits (H.R. 1278) (effective May 10, 1989) (1).....	253	346	351	310	213	1,469
B. Technical Corrections.....	-2	-9	-8	-5	-4	-28
Subtotals:	251	337	343	305	209	1,441
II. ADMINISTRATION PROPOSALS*						
A. Suspend Airport & Airway Trust Fund tax reduction trigger until expiration of present taxes (effective January 1, 1990) (3).....	851	269	--	--	--	1,120
B. Loophole Closers:						
1. Characterize certain high-yield original issue discount (OID) obligations as preferred stock.....	25	51	94	131	160	461
2. Consolidate computation of earnings and profits for corporations filing consolidated returns.....	37	77	129	176	229	648
3. Like-kind exchanges:						
a. Limit like-kind exchanges to similar use property.....	143	222	273	325	378	1,341
b. Restrict basis shifting techniques in certain related-party like-kind exchanges.....	100	120	130	140	151	641
c. Amend holding period requirements for like-kind exchanges.....	(4)	(4)	(4)	(4)	(4)	(4)
4. Limit section 104 exclusion from income to amount received for personal injury.....	4	8	8	10	12	42
5. Tax pre-contribution gain on certain in-kind partnership distributions.....	5	10	10	11	11	47
6. Limit nonrecognition treatment when securities are received in certain section 351 transactions.....	105	165	168	159	81	678
Subtotals:	1,270	922	812	952	1,022	4,978
III. MODIFIED ADMINISTRATION PROPOSALS*						
A. Impose Oil Spill Liability Trust Fund petroleum tax (effective October 1, 1989, through December 31, 1991) at \$0.03 per barrel (cap at \$300 million), without waiting for authorizing legislation.....	69	122	41	--	--	232
B. Modify collection period of telephone excise tax (100% speedup, effective for taxes billed by service producers after June 30, 1990).....	102	-102	--	--	--	--
Subtotals:	171	20	41	--	--	232

IV. OTHER PROPOSALS*

A. Employee Stock Ownership Plan (ESOP) proposals:

1. Repeal partial interest exclusion for interest paid on ESOP loans (section 133) (effective June 7, 1989).....	1,265	1,595	2,005	2,385	2,746	9,996
2. Repeal the deduction for dividends paid on employer securities obtained by an ESOP (section 404(k)).....	358	418	586	731	838	2,931
3. Impose 3-year holding period on seller to be eligible for tax-free rollover (section 1042).....	(4)	(4)	(4)	(4)	(4)	(4)
4. Delay effective date of ESOP provisions (July 10, 1989).....	-105	-98	-91	-85	-79	-458
5. Repeal sections 2057, 2210, 415(c)(6), and 382(1)(3)(C).....	77	166	99	50	50	442
6. Provide 30% employee ownership exception to sections 133 and 404(k) repeal.....	-182	-231	-275	-318	-356	-1,362
B. Repeal transition rule for certain high withholding tax interest (H.R. 2697) (effective January 1, 1990).....	263	325	255	165	83	1,091
C. Repeal remaining portion of completed contract method of accounting.....	171	390	262	116	28	967
D. Corporate mergers and acquisitions:						
1. Certain transactions involving foreign and other tax-exempt investors:						
a. Limit interest deductions for earnings-stripping payments to related parties.....	28	38	44	47	49	206
b. Tax stock gains of certain foreign investors.....	(4)	(4)	(4)	(4)	(4)	(4)
2. Clarify Treasury regulation authority relating to debt/equity (section 385).....	(4)	(4)	(4)	(4)	(4)	(4)
3. Require reporting to IRS of acquisitions and recapitalizations (effective on date of enactment).....	(4)	(4)	(4)	(4)	(4)	(4)
4. Require Treasury study of "debt versus equity" and integration issues.....	--	--	--	--	--	---
E. Permit limited use of excess pension funds to pay current retiree health benefits (effective January 1, 1990).....	286	465	176	(2)	(2)	927
F. Include certain deferred compensation in calculation of indexing of FICA base (effective January 1, 1990):						
1. Revenue.....	400	1,100	1,100	1,100	1,100	4,800
2. Offsetting outlay.....	-90	-250	-450	-710	-1,020	-2,520
G. Impose gasoline excise tax when gasoline is received at terminal (effective October 1, 1989).....	117	60	60	60	60	357
H. Require corporate estimated tax payments on tax liability for certain Subchapter S income (effective January 1, 1990).....	25	(4)	(4)	(4)	(4)	25
I. Impose income tax withholding on the wages of certain agricultural workers (effective January 1, 1990).....	270	68	21	22	23	404
J. Require regulated investment companies (mutual funds) to distribute 98% of ordinary income to their shareholders (effective for taxable years ending after July 10, 1989).....	50	5	5	5	5	70
K. Adjust basis for mutual fund load charge only if shareholder holds shares for 30 days.....	14	28	13	5	3	63
L. Reduce built-in gain or loss threshold of sections 382 and 384 to lesser of 15% or \$10 million.....	25	42	44	46	49	206
M. Increase enforceability of section 482 with respect to U.S. subsidiaries and branches of foreign corporations through improved reporting.....	60	80	85	90	95	410
N. Modify excess loss account recapture rules to prevent shifting of basis to debt.....	54	69	61	52	42	278
O. Require basis reduction for nontaxed portion of dividends on self-liquidating ("wasting") stock.....	6	10	11	12	13	52

Item

	1990	1991	1992	1993	1994	1990-94
P. Repeal special 10-year write-off for costs of acquiring franchises, trademarks, and tradenames where payment exceeds \$100,000 (section 1253(d)(2)).....	55	90	115	135	150	545
Q. Conform tax years of controlled foreign corporations and foreign personal holding companies to the tax years of their U.S. shareholders.....	48	71	71	71	36	297
R. Change the sourcing of foreign income of certain commonly-controlled nonconsolidated corporations.....	20	37	41	45	49	192
S. Modifications to section 89 (5).....	-57	--	--	--	--	-77
T. Limit nonrecognition treatment when securities are received by corporate transferees in section 351 transactions (effective July 11, 1989).....	52	83	84	80	40	339
U. Deny the benefits of section 174 for expenses with respect to R&D not performed in the United States (effective for taxable years beginning after December 31, 1989).....	43	81	68	57	47	296
V. Include dividends in income of RICs (regulated investment companies) on ex-dividend date (effective for ex-dividend dates after July 13, 1989).....	110	20	20	20	20	190
W. Deny retroactive certification of WIN credit.....	38	28	12	--	--	78
X. Deny amortization of life estate in related-party joint purchases.....	--	7	7	8	8	30
Y. Add cellular telephones as "listed property" for depreciation purposes..	2	10	14	18	24	68
Z. Require reporting of mortgage points by lender.....	2	5	5	5	5	22
Subtotals:	3,405	4,712	4,448	4,212	4,108	20,865

V. CHILD CARE INITIATIVE

- A. Expanded Earned Income Tax Credit (effective 1/1/91):
- Adjustments for family size (3+):
 - phasein 17%, 21%, 25%; phaseout 12%, 15%, 18%.....
 - Supplemental for children under 6 years old:
 - phasein 6%; phaseout 4.25%.....
 - Expansion of Title XX Block Grant for Child Care Services (outlays).....

Subtotals:	--	-795	-4,783	-5,106	-5,445	-16,129
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VI. EXPIRING PROVISIONS

Temporary Extensions (through 12/31/91)			Code	Section	Current-Law Expiration
A. Temporary Extensions (through 12/31/91)					
1.	Employer-provided education assistance (3 years).....			Sec. 127	12/31/88
2.	Targeted jobs tax credit (2 years).....			Sec. 51	12/31/89
3.	Mortgage revenue bonds (2 years).....			Sec. 143	12/31/89
4.	Small-issue manufacturing bonds (2 years).....			Sec. 144	12/31/89
5.	Business energy credits (geothermal; 2 years).....			Sec. 46	12/31/89
B. Permanent Extensions					
1.	Low-income housing credit (with modifications).			Sec. 42	12/31/89
2.	Research and experimentation credit (with modifications).....			Sec. 41	12/31/89
3.	Research and experimentation cost allocation rules (64% allocation; effective for taxable years beginning after 8/1/89).....			Sec. 861	+

Subtotals:	-1,394	-2,346	-3,201	-3,744	-13,502
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Item

1990

1991

1992

1993

1994

1990-94

VII. AMENDMENTS TO MEDICARE CATASTROPHIC PROGRAM (includes outlay effects).....

410

304

22

608

N/A

1,344

VIII. SUBCOMMITTEE-RELATED ITEMS

A. Penalty Reform.....

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-51

-82

-58

-25

-216

B. Permit Use of Tax Return Information by Department of Veterans Affairs.
C. CBI Proposals (previously reported by full Committee as H.R. 1233),
with Modifications.....

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D. Corporate Alternative Minimum Tax

-31

-35

-39

-12

-2

-119

1. Eliminate book backstop.....

-388

-590

-575

-538

-560

-2,650

2. Adjust regular and alternative minimum tax treatment of installment
sales of timeshares and residential lots by C corporations.....

-9

-12

-8

-4

-4

-37

3. Allow exclusion preferences as credits.....

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-24

-61

-92

-119

-296

4. Allow DRD from ACE for 80% or more stock ownership.....

-5

-7

-6

-5

-5

-28

5. Other changes.....

(6)

(6)

(6)

(6)

(6)

(6)

6. Eliminate DRD from ACE for 20%-80% stock ownership.....

-15

-24

-20

-17

-14

-90

7. Eliminate individual R&E preference for all non-corporate entities
if material participation by owner/partner (effective 1/1/91).....

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-4

-14

-14

-14

-46

8. Allow residential construction firms to use CCM for AMT.....

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-5

-5

-5

-5

-20

9. Permit certain corporations with 100% foreign source income to
use 100% of foreign tax credits for AMT purposes (income earned
after 3/31/90).....

-2

-5

-5

-5

-5

-22

10. Exclude certain cooperative FSCs from AMT (effective for
taxable years beginning after 12/31/89).....

-2

-3

-3

-3

-3

-14

E. Rehabilitation Tax Credit

-8

-21

-29

-39

-48

-145

1. Provide exception from income phaseout of \$25,000 exemption from
passive loss rules.....

-2

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-2

2. Relocated buildings treated as qualifying property.....

-462

-781

-847

-792

-804

-3,685

GRAND TOTALS..... 3,651 2,373 -2,780 -3,022 -4,654 -4,456

* Effective for transactions after July 10, 1989, unless otherwise noted.

+ Rules expire 4 months after start of a firm's first tax year beginning after August 1, 1987.

(1) Estimate total includes a loss of \$4 million in FY 1989.

(2) Gain of less than \$500,000.

(3) Estimate assumes suspension of trigger with no impact beyond scheduled expiration date of taxes of December 31, 1990.

(4) Gain of less than \$5 million.

(5) Estimate total includes a loss of \$20 million in FY 1989.

(6) Loss of less than \$5 million.